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Mobil

Socony Mobil Oil Company, Inc. **annual report 1965**

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George F. James
Paul V. Keyser, Jr.
Grayson L. Kirk
Lewis A. Lapham
Fred H. Moore
Charles G. Mortimer
Albert L. Nickerson
Herman J. Schmidt
William P. Tavoulareas
Rawleigh Warner, Jr.
Herbert Willetts
Albert L. Williams

OFFICERS

Albert L. Nickerson
Chairman of the Board of Directors;
Chairman of the Executive Committee

Rawleigh Warner, Jr.
President;
Vice Chairman of the Executive Committee

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Senior Vice President

Arthur V. Danner
Senior Vice President

John D. Fennebresque
Vice President

George F. James
Senior Vice President

Paul V. Keyser, Jr.
Executive Vice President

Curtis M. Klaerner
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Henry C. Moses
Vice President

Theodore W. Nelson
Senior Vice President

James Q. Riordan
Vice President

Herman J. Schmidt
Executive Vice President

William P. Tavoulareas
Senior Vice President

Paul Wollstadt
Senior Vice President

Arthur M. Sherwood
Secretary

Edward P. Fischer
Treasurer

William S. Swayze
Controller

John J. Scott
General Counsel

TRANSFER AGENTS

The Chase Manhattan Bank, National Association
1 Chase Manhattan Plaza, New York, New York 10015

The Bank of California, National Association
400 California Street, San Francisco, California 94120

Continental Illinois National Bank and Trust Company of Chicago
231 South La Salle Street, Chicago, Illinois 60690

Canada Permanent Trust Company
253 Bay Street, Toronto 1, Ontario, Canada

REGISTRARS

Bankers Trust Company
New York, New York

Wells Fargo Bank
San Francisco, California

La Salle National Bank
Chicago, Illinois

Montreal Trust Company
Toronto, Ontario, Canada

AUDITORS

Arthur Young & Company
New York, New York

ANNUAL MEETING

The 1966 Annual Meeting of Shareholders
will be held on Tuesday, May 17,
at 10:30 a.m. in the Grand Ballroom
of the Hotel Commodore,
Lexington Avenue and 42nd Street,
New York City—diagonally across the street
from the Socony Mobil Building.
We hope you can attend.

Socony Mobil Oil Company, Inc. annual report 1965

the year in brief

	1965	1964
Financial		
Revenues	$5,517,426,000	$5,078,641,000
Net income	$320,116,000	$294,160,000
Per share	$6.31	$5.79
Cash dividends	$154,853,000	$141,104,000
Per share	$3.05	$2.80
Shareholders' equity *(end of year)*	$3,483,510,000	$3,324,729,000
Per share	$68.61	$65.42
Capital and exploration outlays	$557,345,000	$460,207,000
Total assets *(end of year)*	$5,212,380,000	$4,879,472,000
Shareholders and Employees *(end of year)*		
Number of shareholders	206,900	211,000
Number of shares outstanding	50,774,000	50,825,000
Number of employees	80,600	80,000
Operating† *(barrels daily, except natural gas)*		
Gross crude oil production	1,165,000	1,037,000
Natural gas production *(thousands of cubic feet daily)*	1,993,000	1,924,000
Refinery crude runs	1,429,000	1,345,000
Petroleum product sales	1,503,000	1,404,000

†Includes interest in non-consolidated companies.

See page 21 for 5-year Financial and Operating Data. The Financial Review begins on page 23.

An important part of the domestic and foreign operations covered by this report is carried on by operating divisions, subsidiaries, and affiliates conducting their respective businesses under the direction and control of their own managements. For convenience, this report uses such terms as "Socony Mobil," "Mobil," "company," "we," and "our" sometimes for the parent company and all such divisions, subsidiaries, and affiliates collectively and sometimes for one or more of them.

Socony Mobil Oil Company, Inc., 150 East 42nd Street, New York, N.Y. 10017

Members of the Executive Committee listen to a presentation in the Board Room at Socony Mobil Building in New York. From left, they are Fred H. Moore, Paul V. Keyser, Jr., Rawleigh Warner, Jr., George F. James, Albert L. Nickerson, William P. Tavoulareas, and Herman J. Schmidt.

to our shareholders

In 1965, Socony Mobil set the stage for its second century in the oil business.

The company achieved records in earnings and dividend payments, as well as in volumes of oil produced, refined, and sold. Chemical sales and earnings also reached new highs.

Net income was $320.1 million, or $6.31 a share, compared with $294.2 million, or $5.79 a share, in 1964.

Total assets of the company exceeded $5 billion for the first time. Revenues, which have risen every year since 1958, amounted to $5.5 billion. The rate of return earned on shareholders' average equity rose to 9.4%, the seventh successive yearly increase in that index of profitability.

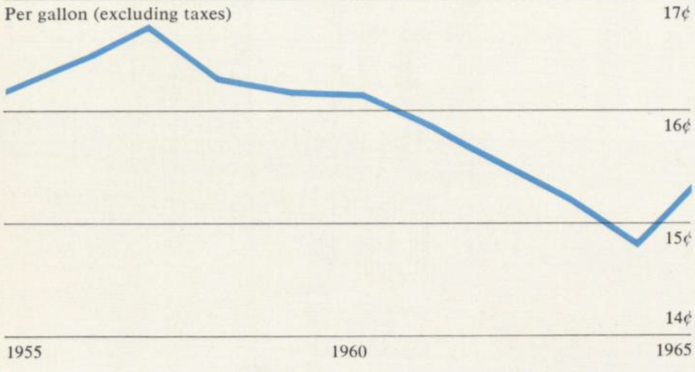
Total dividends of $154.9 million paid in 1965 also represented a new high. In January, 1965, the quarterly dividend was increased from 65 to 70 cents a share. Cash dividends paid during the year amounted to $3.05 a share, consisting of four quarterly dividends of 70 cents each and an extra dividend of 25 cents paid in December.

In January of this year, the Board of Directors increased the quarterly dividend for the fourth consecutive year, this time to 80 cents a share.

In addition, the directors voted to split the company's stock on a two-for-one basis, provided shareholders approve a proposal to increase the authorized capital stock from 75 million shares of $15 par value to 150 million shares of $7.50 par value.

The directors also have asked shareholders to approve changing the company's name to Mobil Oil Corporation, a change which would come in our centennial year, 1966. Another step forward is the streamlined Mobil emblem we began using this year.

The higher earnings in 1965 resulted from larger operating volumes in every segment of the business, as well as from a modest firming of U.S. product prices over the severely depressed levels of 1964. That price recovery was only partial is illustrated by this chart depicting the trend of U.S. wholesale prices for regular-grade gasoline in 55 key cities over the past 11 years. It shows that the 1965 average price of 15.38 cents a gallon represented only minor improvement over the low of 14.82 cents reached in 1964.



At the same time, product prices remained depressed, and in some cases fell below 1964 levels, in a number of markets in Western Europe where competition was particularly severe.

Other noteworthy events in 1965 included:

> Major oil discoveries in Alaska and Canada, and development of the large Amal field in Libya.
> Modernization of the Torrance, Calif., refinery under way.
> Extensive domestic construction of chemical plants.
> Debut of Durabead 7, a valuable refining catalyst.

Prospects for our business in 1966 are, as always, closely tied to the rates of growth for U.S. and other Free World industrial production and consumer expenditures. After a 7.4% growth in U.S. industrial activity in 1965, gains in the current year are not likely to be as large. The increase in domestic demand for petroleum products, consequently, may not exceed 3.5%, compared with a rise of 4.1% in 1965.

Overseas, where economic growth in 1965 did not keep pace with that in the United States, a rise of 4 to 5% in industrial production is forecast. However, the trend toward mechanization is accelerating in a number of foreign countries, and oil continues to replace less efficient energy sources at a rapid rate. These trends point to an increase of 8 to 10% in overseas demand for petroleum products in 1966.

U. S. demand for chemicals is expected to rise by 6 to 8% in 1966. Growth in overseas chemical markets where we are represented may be as much as 8 to 10%.

To accommodate the predicted demand increases and to improve the efficiency of our facilities, Mobil plans to make the highest capital and exploration expenditures in our history. These will be appreciably greater than the $557 million expended in 1965. In line with our government's voluntary balance-of-payments program, a large part of our overseas outlays will be financed through funds raised, and cash generated, abroad. In 1965, Mobil borrowed the equivalent of $38.4 million through public debt issues in Europe.

In all our operations, but particularly in the United States, we are aware of the mounting public concern over air and water pollution. Our approach to this problem is described in a special report on page 20.

Vernon A. Bellman resigned as a director at the end of 1965, concluding 10 years' service as a member of the board.

Herbert Willetts was elected to the board in September, 1965, as a non-employee director. Mr. Willetts served as a director from 1951, and as president from 1961, until his retirement as an employee at the end of 1964. We are fortunate in having at board deliberations the benefit of his long experience in the petroleum industry.

As the company concludes its first century, I should like to thank present and past employees and shareholders for the support that makes it possible for us to move vigorously into our second century of progress.

Albert L. Nickerson

March 4, 1966 CHAIRMAN

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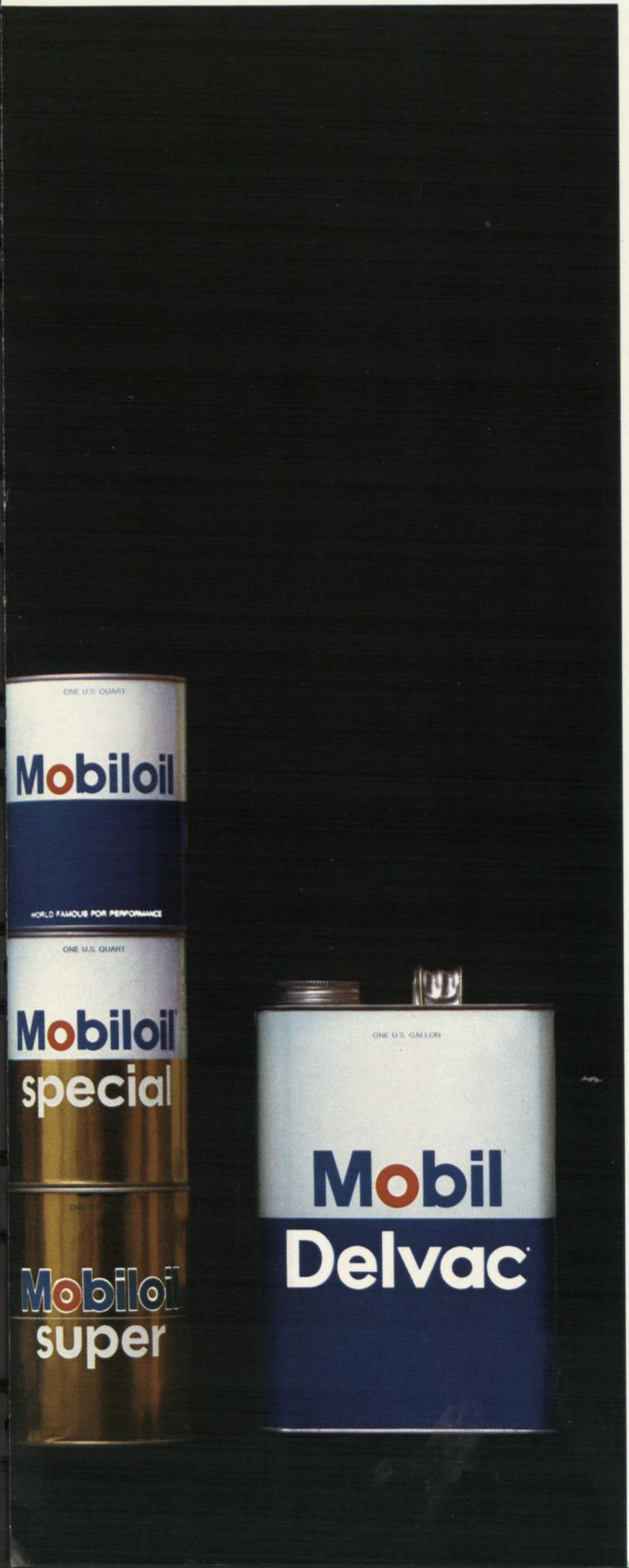
Mobil
brake fluid
super heavy duty
ONE U.S. PINT
Mobil
Upperlube
top cylinder lubricant
ONE U.S. QUART
Mobil
A.T.F.
automatic transmission fluid
ONE U.S. QUART
Mobil
A.T.F.
automatic transmission fluid
Mobil
ONE U.S. QUART
Mobiloi
WORLD FAMOUS FOR PERFORMANCE
ONE U.S. QUART
Mobiloil
special
Mobiloil
super

new century, new name, new look



On October 4, 1966, the Mobil organization will be 100 years old. We are proud of the company's heritage. But the management of Socony Mobil believes that the best way to celebrate a centennial is to focus on the future rather than the past. Our primary concern is with planning for our *next* 100 years of growth and prosperity. To that end, we propose to enter our second century with a new name and a new look that will enhance our reputation as a company that is forward-minded, quality-conscious, and profit-oriented.

One of our two major predecessor companies, Vacuum Oil Company, was established in 1866 by two men in Rochester, N. Y.–Hiram B. Everest, a farmer-businessman, and Matthew P. Ewing, a carpenter. They developed a new method of distilling crude oil, first discovered in quantity in Pennsylvania only seven years before.

Their vacuum distillation process yielded a product that proved superior to animal oils for dressing leather harnesses. More significantly, the process yielded the first commercially successful petroleum lubricants for machinery. Their firm was the first ever formed to manufacture and market petroleum-based lubricants.

The other major predecessor company was the Standard Oil Company of New York. Founded in 1882, it grew to become an important producer, refiner, and marketer. In 1931, Standard of New York and Vacuum merged to form the company that ultimately became Socony Mobil.

Today, our company is one of the world's largest private industrial concerns. Mobil companies in more than 100 nations have proved to be reliable sources of quality fuels, lubricants, and industrial products. Our affiliates have strengthened the economies of many of those nations by developing natural and human resources, facilitating mechanization, and generating large tax revenues.

At the Annual Meeting on May 17, shareholders will vote on a proposal to change the name of the company to Mobil Oil Corporation. The new name, if adopted, will put undivided emphasis on the word "Mobil," by which the corporation as a whole has come to be known.

A strong visual expression of the things we are planning and doing is provided by our new graphics program. We have adopted a fresh new design for the signs, symbols, lettering, and colors that publicly identify Mobil at service stations, in advertising, on products, and on trucks and tankers. Keynote of the program is the "Mobil" trademark in bright blue but with a red letter "O" (see cover).

The Flying Red Horse will be given new emphasis. Shown separately on a white disc, it will be used extensively on printed matter as well as at service stations (see back cover).

New Mobil packages have clean bold look, emphasizing trademark as well as product name.

exploration and producing

During 1965, we took long strides toward increasing our crude oil and natural gas reserves in North America and improving the geographical distribution of our reserves elsewhere in the Free World.

Mobil's worldwide gross crude oil production averaged 1,165,000 barrels daily, an increase of 12% above 1964. Natural gas production, most of which is in the United States, increased 3.6% to two billion cubic feet a day. Gas production in Canada and West Germany achieved substantial percentage gains, although the volumes were relatively small. Gas liquids production rose to 46,000 barrels daily, mostly in the United States.

These were the highlights of the year:

> Crude oil discoveries increased Mobil's North American reserves to record levels.

> Our production of crude oil in North America rose by more than 6%, a faster growth rate than the industry's.

> Continued development of the Amal field in Libya indicated it may be the largest oil field Mobil has ever discovered anywhere.

> Drilling in offshore waters of Nigeria brought additional important discoveries.

In North America, Mobil has two especially significant new oil fields–one in Canada and one in Alaska.

In the Rainbow Lake area of northwestern Alberta, important discoveries were made early in the year on acreage in which Mobil has a 50% interest. Development of this new area is under way, and construction of a pipeline began in late 1965. Crude production is expected to begin in the late spring of 1966.

In the Cook Inlet of Alaska, Mobil made a major discovery on offshore acreage in which we have a 75% interest. The discovery well, Mobil Granite Point No. 1, encountered several oil sands, and high-gravity oil flowed in substantial quantities on test. A fixed platform for drilling as many as 32 wells is under construction. Development drilling is expected to begin in the fall of 1966.

Natural Gas Discoveries

We also made important discoveries of natural gas in both Canada and the United States.

In northeastern British Columbia, Mobil discovered gas in large quantities with its Sierra C-78-C well and a successful follow-up well.

On the Gulf Coast of Texas, Mobil made a significant gas-condensate discovery on the Chapman Ranch, located near Corpus Christi.

Other developments in North America included these:

> An offshore oil field, discovered in 1964 near Santa Barbara, Calif., was extended by a step-out well drilled in 1965. A 20-well platform is to be built for development of this field. Mobil's interest is 50%.

> Off Long Beach, Calif., production began in the large East Wilmington field. Mobil is one of a group of five companies developing the field.

> On the basis of encouraging development drilling in the Coyanosa gas field in West Texas, which Mobil discovered in 1962, a gas-processing plant is being tripled in size. This and other new gas-processing plants–including one in the Waha field of West Texas and another at Grand Chenier, La.–will increase Mobil's production of gas liquids substantially by the end of 1966.

> In the coastal areas of North Carolina, Mobil suspended drilling after completing three dry holes, but we retain our exploration rights there.

> We purchased producing properties and undeveloped leases in California and seven other states from Franco Wyoming Oil Company. Mobil engineers expect to increase production from some of these properties through thermal recovery. This method of recovery, which Mobil is applying in several California oil fields, has already resulted in important increases in our production.

> A new gas-processing and sulfur-recovery plant went on stream at Wimborne, Alberta. Mobil's interest in the output from this and another sulfur-extraction plant in Alberta amounted to 259 long tons of sulfur a day in 1965.

Growth Overseas

Overseas, where Mobil has interests in crude oil production in 15 countries, both reserves and production continued to grow.

Drilling extended the limits of the large Amal field in Libya, where Mobil operates in association with Gelsenberg Benzin A.G. The field now has a total of 33 producible wells. Production is expected to begin by the middle of 1966, with completion of the pipeline to the Ras Lanuf terminal on the Mediterranean.

Mobil's share of production from Hofra, Farrud, and Ora fields in Libya averaged 76,000 barrels daily, more than double the 1964 rate.

In the waters of offshore Nigeria, drilling resulted in further discoveries of crude oil. With several promising structures still to be tested, Nigeria may well become an important source of crude oil for Mobil in years ahead.

Other Overseas Highlights

Additional developments overseas included these:

> Mobil's reserves of gas in Germany were augmented with further drilling. These reserves are especially attractive because they are close to several large heavily populated consuming areas.

> Off the coast of the Netherlands, we drilled a second well that flowed gas on test. It is located in the waters off Ameland

Pipe is stacked for use in line being built to provide outlet for crude oil from new Rainbow Lake fields in Canada.

Island, three miles to the north of the discovery well drilled on the island in 1964.

> In the North Sea off the coast of England, additional acreage awarded to Mobil late in 1965 increased our position on favorable terms. Drilling on North Sea acreage awarded to Mobil in 1964 is due to begin during 1966.

> Drilling continued in Turkey with some success. Mobil's production there rose 4,600 barrels a day to an average of 7,500 barrels daily in 1965.

> Production increased significantly in the Middle East, where Mobil has concessionary interests in five countries and a long-term crude-purchase contract in a sixth. Major discoveries were made at Kupal in Iran and at Abu Jidu in the sheikhdom of Abu Dhabi.

Gross Production of Crude Oil by Major Areas

(thousands of barrels daily)

	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956
U.S. and Canada	327	308	295	287	272	262	264	264	297	295
Abu Dhabi	23	15	—	—	—	—	—	—	—	—
Colombia	14	17	18	19	22	23	20	16	13	13
Indonesia	29	28	35	36	36	40	42	39	33	33
Iran	127	116	101	91	82	73	65	57	50	37
Iraq	155	148	137	119	118	114	101	86	53	75
Libya	76	34	2	—	—	—	—	—	—	—
Qatar	23	22	23	22	21	21	20	21	17	15
Saudi Arabia	202	172	162	152	139	125	109	101	99	99
Venezuela	144	140	131	117	113	117	107	122	113	96
West Germany	24	23	20	20	19	18	16	12	10	8
Other	21	14	11	9	9	4	5	5	4	4
Total	1,165	1,037	935	872	831	797	749	723	689	675

Drilling rig operates in coastal waters off Nigeria, where several promising discoveries were made in 1965.

Mobil
MOBIL ENTERPRISE

transportation

The company's continuing drive to lower the costs of transporting crude oil and products throughout the world received new impetus in 1965 with the delivery of three new 80,000-deadweight-ton tankers, and pipeline construction in eight countries.

The new tankers *Mobil Japan, Mobil Libya,* and *Athos* incorporate many of the latest advances in marine technology. Used primarily in voyages from the Persian Gulf to refineries in Northern Europe and the eastern United States, the ships can make economical use of the Suez Canal without sacrificing efficiency on transoceanic voyages.

Marine facilities at the company's Paulsboro, N. J., refinery are being enlarged to accept vessels up to 100,000 tons and to increase in-port efficiency. The expansion, which is scheduled for completion during 1966, will complement the fleet's worldwide port-turnaround program. Since its inception early in 1965, that program has effectively lowered operating expenses by cutting down the amount of time vessels spend in port.

Increased use of automated equipment in the fleet has also reduced operating costs. "Data loggers," which pinpoint factors affecting fuel consumption, are now in use aboard four Mobil vessels, including the new 80,000-tonners. Installation of new, bulb-like bows on two existing ships and incorporation of similar bows in the design of the new ships allows increased speed with no increase in fuel consumption.

In all, various operational improvements, together with lower chartering expenses, enabled our foreign deep-sea fleet to reduce the unit cost of transporting crude oil and products by over 8% during 1965.

Anti-Pollution Program

The fleet's accelerated anti-pollution program has virtually eliminated the discharge of oily wastes at sea by all tankers owned or chartered by the company and its marine affiliates. The program has received commendation from government agencies and conservation societies. In addition to preventing pollution, it conserves oil that would otherwise be discharged as waste. The resultant savings are expected to offset the cost of the program.

At year end, Socony Mobil and its principal affiliates owned 38 crude oil and product tankers totaling about 1.7 million deadweight tons. An additional 47 vessels under charter for one year or more aggregated 1.5 million tons. The average size of owned crude oil tankers increased from 54,800 deadweight tons in 1964 to 57,600 at the end of 1965.

Work began on a new pipeline in Libya, linking the Amal field to the Ras Lanuf terminal on the Mediterranean. The 170-mile, 30-inch Amal line is scheduled to go into operation in the second quarter of 1966. It will have an initial capacity of 150,000 barrels a day, which could be expanded to 300,000 barrels a day. Mobil operates and holds the largest interests in the Amal pipeline system and the Ras Lanuf terminal, as well as the existing Sirtica system.

In Europe, work continued on the Trans-Alpine Pipeline, in which the company holds an 11% interest. The 283-mile, 40-inch-diameter pipeline will transport crude oil from the Adriatic to the south of Germany. There it will provide some of the feedstock for the recently completed Neustadt refinery, in which the company owns a half interest. The line's initial capacity of 500,000 barrels a day can be more than doubled.

In England, work started on the United Kingdom Oil Pipeline, which will supply the London area and the Midlands with products from refineries on the Thames and the Mersey. Mobil has a one-eighth interest in this line.

In Canada, work began on the 240-mile Rainbow Pipeline, which will connect the Rainbow Lake producing area with an existing crude oil line by mid-1966. Mobil will have a one-third interest in the new line. Expansion of the South Saskatchewan Pipeline from 65,000 to 100,000 barrels a day also got under way. Mobil owns half that system.

Olympic Pipeline Completed

The 300-mile Olympic Pipeline, one-third owned by Mobil, was completed during the year. Managed by the company, the line can carry 135,000 barrels of product daily from our Ferndale, Wash., refinery and other refineries to several major cities in the U. S. Pacific Northwest.

The capacity of our San Ardo, Calif., crude pipeline was enlarged by 20,000 barrels a day. Magnolia Pipe Line Company, our U. S. common carrier affiliate, completed its program to place virtually the entire Magnolia network under remote control.

Bulbous bow added in 1965 helps increase speed, cut costs on 50,000-ton tanker moored at Tripoli, Lebanon.

refining

Refinery crude runs for Mobil's account set a new record in 1965. Worldwide runs averaged 1,429,000 barrels a day, a 6% increase over the 1964 average.

The overseas average rose 12% to 757,000 barrels daily. In the United States, runs were 672,000 barrels a day. These amounts include crude processed for Mobil at partly owned refineries and under arrangements with other refiners.

Modernization Program

Work began on the modernization of the Torrance, Calif., refinery, the largest construction project in our history. This is the first step in a major refinery modernization program aimed at giving the company an even stronger competitive position in all parts of the country.

The Torrance project includes installation of nine new processing units and the modernization of four existing units. When modernization is completed in early 1967, the 100,000-barrel-a-day refinery will be able to make more high-value products, and at lower costs.

Other large-scale modernizations, based on economic studies of manufacturing operations throughout the United States, are in the planning stage.

New alkylation units, which enable us to extract more high-octane gasoline from each barrel of crude oil, were added in 1965 to our refineries at Ferndale, Wash., and Augusta, Kan. Operating and mechanical improvements in these and other refineries, together with use of our own catalysts such as Durabead 5 and 6, enabled us to manufacture large proportions of gasoline, heating oil, jet fuel, and similar high-value products.

During 1965, we announced that our Casper, Wyo., refinery will be closed in 1967 for competitive reasons. It was also announced that the Brooklyn refinery would discontinue its manufacture of light products and fuel oil, although lubricant-blending operations will continue.

Overseas Refining Activities

In the Free World overseas, where demand for petroleum is growing at a much faster rate than in the United States, refinery runs rose by 81,000 barrels a day. As a result, in 1965, overseas runs accounted for more than half the company's worldwide total.

We are continuing to enlarge our capacity to meet the rapid growth in overseas demand by building new refineries and expanding existing ones.

In Western Europe alone, Mobil's construction projects completed in 1965, together with those now under way, will lead to an increase in capacity of about 150,000 barrels a day.

> In Gravenchon, France, work was completed on new units that more than triple the refinery's capacity–from 22,500 to 72,500 barrels a day.

> In Coryton, England, an expansion program nearing completion will increase capacity from 47,000 to 65,000 barrels a day.

> In Amsterdam, the Netherlands, construction of a new 80,000-barrel-a-day refinery will begin in mid-1966. The refinery is scheduled for completion in about two years.

We are also expanding refining activities in the Far East. In the Osaka area of Japan, capacity of a refinery in which Mobil has a 25% equity interest was increased from 50,000 to 114,000 barrels a day.

Elsewhere in Japan, a company in which Mobil has a half interest is currently negotiating with a contractor for the construction of a refinery near Tokyo. The plant is scheduled to go into operation in 1968. Its initial capacity will be 60,000 barrels a day. According to current plans, subject to the approval of the Japanese government, capacity will be doubled by the early 1970s.

Our new refinery in the Jurong area of Singapore is nearing completion. This 20,000-barrel-a-day facility will begin operations in 1966.

Nearly completed refinery in Singapore will help serve fast-growing markets in Southeast Asia.

Mobil
REFRESHMENTS
TIRE SALE
Mobil Servic
Mobiloil

marketing

Mobil marketers sold record volumes of petroleum products in 1965. Sales throughout the Free World reached 1,503,000 barrels daily, a 7% increase over 1964. Of this amount, an average of 760,000 barrels daily was sold in the United States and Canada, and 743,000 barrels daily in other countries.

Demand for all petroleum products in the United States showed a 4.1% increase during the year. Overseas demand growth was two to four times greater in a number of countries where Mobil is a substantial marketer.

We achieved further penetration of overseas markets and launched new products at home and abroad. We undertook new travel and customer relations programs. Early in 1966, we began using redesigned service station signs and packages for Mobil products (see page 4) and launched a new domestic advertising campaign whose theme, "We want you to live," stresses highway safety.

Across the United States, we upgraded the quality and efficiency of our service stations by opening 222 new outlets in areas judged to have potentially high volume and profitability. Over 400 uneconomic outlets were closed during the year. This continuing effort to raise average sales per outlet increases the profitability of service stations both to Mobil dealers and to the company. Approximately 26,500 U.S. service stations now sell Mobil products.

Travel Assistance

Mobil took new steps to reinforce its reputation as the company to turn to for travel assistance. Sales of Mobil Travel Guides set a record of over 1,000,000 copies. Expanded during 1965 to seven volumes, the series now contains impartial ratings of more than 20,000 hotels, motels, and restaurants in all states except Alaska and Hawaii. The 1966 Guides will also contain maps of the U.S. interstate highway system, major cities, and local tours.

We launched the "Friendly Way" travel-information program at 5,200 Mobil service stations and will extend this travel-aid service to 800 more stations by the end of 1966.

In addition, we concluded an agreement with TraveLodge Corporation enabling holders of Mobil credit cards to charge accommodations and other purchases at TraveLodge's 350 motels throughout the United States and Canada.

The company's new Customer Relations Department moved ahead with a program aimed at making sure that Mobil customers have pleasant buying experiences. The program emphasizes speedier handling of complaints and intensified training of marketing employees and dealers.

Demand for gas liquids, especially liquefied petroleum gas (LPG), continued its sharp upward trend during 1965. Our gas liquids are used as petrochemical feedstocks by Mobil Chemical Company and are sold to other manufacturers of petrochemicals. They also are sold to consumers for heating, cooling, and cooking. Overseas, our LPG sales rose rapidly in Hong Kong, the Philippines, South Africa, and Australia, as well as Turkey, Portugal, and Cyprus.

In Europe, Mobil affiliates opened 424 new service stations in major market areas during the year. Most of these affiliates increased gasoline sales at a greater rate than market growth.

Fuel oil sales in the United Kingdom, Denmark, the Low Countries, and France rose in 1965, as our European affiliates expanded programs of selling directly to consumers.

Our affiliates in the Far East continued their expansion programs. On Luzon, largest island in the Philippines, we had 165 service stations in operation by year end, with a goal of 213 by the end of 1966. In the Malaysia-Singapore area, Mobil Oil Malaya now has 40 new retail outlets and plans another 40 by the end of 1966. Products are to be supplied by our wholly owned Jurong (Singapore) refinery.

Specialized Products

In addition to such familiar products as automotive gasolines and lubricants, Mobil makes and sells more than 2,500 specialized industrial and consumer products.

New products are helping to increase sales of our aviation fuels and lubricants, now available at over 600 airports in 55 countries. A high-quality synthetic oil for jet engines, Mobil Jet Oil II, has been adopted by 21 airlines since its introduction in 1964. It is the best-selling premium synthetic lubricant in its category. For piston-engine aircraft, a new line of Mobil Aero Oils allows longer and cleaner engine lubrication between overhauls.

Mobil's marine fuel sales showed another significant increase during 1965. We added six new ports to our worldwide bunkering facilities, bringing the total to an all-time high of 280 ports throughout the Free World.

We strengthened our reputation as the leading supplier of quality marine lubricants by marketing an upgraded Mobilgard 12 series of lubricants for tugboats, coastal vessels, and fishing boats, and a new cylinder oil for large marine diesel engines. Our extensive line of marine lubricants is available at more than 450 ports.

New sign flashes through the night at one of the 26,500 U.S. service stations selling Mobil products.

chemicals

Mobil Chemical Company completed its fifth year as the division responsible for Socony Mobil's chemical interests by increasing sales to more than a third of a billion dollars. Mobil Chemical's contribution to corporate earnings also increased.

At Beaumont, Tex., a major facility for the production of high-purity terephthalic acid (TPA) was in the final stages of construction at year end. It is designed to produce more than 50 million pounds a year of the chemical used to make polyester fibers and films. A second unit of equal capacity will be completed in July. To accommodate strong initial demand during 1965, the production rate at our smaller existing TPA plant was increased to five million pounds a year.

Our two principal petrochemical plants—at Beaumont and at Naples, Italy—continued to operate at capacity.

Chemical Fertilizers

Mobil Chemical is strengthening its ability to help supply rising worldwide demand for chemical fertilizers. It is doing so at a time when the entire fertilizer industry is acting in response to increasingly frequent predictions of food shortages during the next several decades.

The company is already a major producer of phosphates, one of the three principal constituents of plant foods. In 1965, we took steps toward producing the other two, nitrogen and potash. A new nitrogen plant at Beaumont, to be completed in mid-1966, will produce 750 tons a day of anhydrous ammonia, as well as urea, ammonium nitrate, and nitrogen solutions.

As for potash, a seismic survey and core-drilling program was begun on 412,000 acres for which permits are held by Socony Mobil Oil of Canada, Ltd., in the rich potash mining belt of Saskatchewan.

A new phosphate mine and associated facilities in Polk County, Fla., will increase Mobil's phosphate production 70% by early 1967. A sulphuric acid plant and a major expansion of equipment for producing phosphoric acid, completed at year end, will greatly enlarge capacity in concentrated superphosphate and diammonium phosphate, important enriching ingredients of fertilizers.

Farm Service Centers

We have now opened seven Farm Service Centers in farming area towns in the East and Midwest. More will be opened in 1966. These one-stop shopping centers provide an outlet for Mobil's V-C brand farm products and services, as well as a full range of Mobil automotive and plastic products, and paints and coatings.

The industrial chemicals division of Mobil Chemical began construction at Charleston, S. C., of a trimethyl phosphite plant which will triple Mobil's production capacity when it starts up in late spring. This chemical is an intermediate used primarily for insecticides and flame retardants.

The company's output of phosphorus has been doubled by the completion of a nodulizing plant at Mt. Pleasant, Tenn. This product is being upgraded at our new 35,000-tons-a-year plant at Gary, Ind., which produces phosphoric acid for the detergent industry and triple superphosphate for fertilizers.

In Mexico, Mobil acquired a substantial interest in Industrias Atlas, S.A., the country's fifth largest manufacturer of industrial and consumer paints. The company has been consolidated with Mobil's existing paint facilities and has been renamed Mobil Atlas S.A. de C.V.

To serve the Canadian market for industrial and consumer paints and chemical coatings, a wholly owned affiliate opened a $2-million plant near Toronto.

In the United States, we introduced new automotive, marine, and industrial coatings to reinforce our leading position in these fields. We opened a styling center at High Point, N. C., to emphasize the company's increasing capabilities in furniture finishes.

Plastic Products

In plastics, Mobil Chemical made a strong entry into the profitable field of polystyrene foam products with the completion of three fabricating plants. The plants, at Canandaigua, N. Y., Frankfort, Ill., and Bakersfield, Calif., will produce foam meat trays, egg cartons, and other container products.

A nationwide advertising and promotional campaign this spring will launch the Hefty brand plastic bag for food storage. Easier to use than conventional plastic bags, this new Mobil Chemical product is particularly useful for short-term storage of freezable foods in home refrigerators.

At a plant in Taiwan, three new units—for styrene polymers, for phenolic molding powders, and for injection-molded polystyrene housewares—were completed by a company in which Mobil Chemical holds a majority interest.

We withdrew from the manufacture and sale of polystyrene, plastic moldings, and extrusions in the United Kingdom. These are the activities of Mobil Chemicals Ltd., which was sold to The British Petroleum Company Ltd. We continue to receive royalties through licensing certain of our plastics and resin processes to British Petroleum. The transaction does not affect Mobil's sales of paints and coatings, fertilizers, and petrochemicals in the United Kingdom.

Research scientist at a Mobil Chemical laboratory shows projection of microscopic picture of plastic crystals.

research

Mobil scientists and engineers continued in 1965 to keep the company in the forefront of the complex technologies of finding and producing petroleum, and manufacturing petroleum products and chemicals. Teamwork among research people at laboratories in New Jersey, Texas, Virginia, New York, England, Germany, France, Italy, and Japan resulted in commercial testing of a number of innovations during the year.

Exploration and Production Research

Mobil's oil hunters are testing our new Borehole Televiewer, a unique camera that can produce a photograph of the wall of a well, even when the well is filled with oil or drilling mud. It permits identification of underground features known to favor oil production. The Televiewer has many additional uses that aid in well maintenance, which is important to continued profitable production from old wells.

In a separate development, our scientists discovered a way to use the glow of rock samples exposed to nuclear radiation to reveal characteristics that are invisible in ordinary light. Study of these exposed samples may aid geologists in finding and producing oil.

Our continuing investigation into the flow of liquids resulted in new knowledge that is helping to solve the difficulties of handling thick Libyan crude oil in pipelines, tankers, and storage tanks. This work achieved appreciable cost reductions.

Mobil scientists made a major advance in computerizing the many complex factors that determine how rapidly oil can be produced from a field, as well as the percentage of oil that can ultimately be produced from a reservoir. With the new technique, the computer points out the most profitable field-management methods by predicting reservoir performance under a variety of conditions.

Products Research

More effective protection of citrus groves from frost damage is afforded by Mobil's novel Tree-Heet, a specially designed brick made primarily from petroleum coke. Burned beneath the trees, the bricks give off radiant heat that warms the wood, foliage, and fruit. A major commercial test is currently under way in the Rio Grande citrus area of Texas, using Tree-Heet bricks manufactured in a new plant in Mission, Tex.

Twenty-seven new or improved lubricants or additives were made available for commercialization during 1965, ranging from diesel engine oils and improved automotive engine oils to fluids for automatic transmissions. Among them was a single low-cost gasoline additive with anti-stalling, carburetor-cleaning, and rust-preventing characteristics that normally require three separate additives. And to permit longer service of bearings in jet aircraft at extremely high or low temperatures, three outstanding new synthetic greases were developed.

Petroleum Refining Research

The company broadened use of the Mobil-developed Durabead 5, a revolutionary zeolitic cracking catalyst which significantly increases the proportion of high-octane gasoline that can be manufactured from each barrel of feedstock. At one Mobil refinery, use of Durabead 5 made it possible to increase gasoline production from a catalytic cracking unit by as much as 2,000 barrels a day, to a total of about 10,000 barrels a day.

During 1965, we began commercial use of Durabead 6, which not only improves gasoline yield but also expands the gasoline-manufacturing capacity of catalytic cracking units with little or no additional investment. In addition, Durabead 7, a catalyst promising further improvement of about 5% in high-octane gasoline yield, will undergo commercial testing in 1966. A powdered version, Fluid D-7, will be sold to the refining industry.

These catalysts allow us to reduce the volume of refinery feedstock needed to make a given quantity of gasoline, and hence have the effect of improving Mobil's domestic crude oil self-sufficiency ratio.

Efforts to improve the technologies of mining and retorting oil shale moved ahead at Rifle, Colo., where Mobil is manager of a six-company research project at facilities leased from the federal government. Our aim is to determine whether fuels and chemicals made from this enormous natural resource can compete economically with those made from petroleum. Emphasis is being given to improvement of the gas-combustion retort used to convert the combustible solids in shale rock into shale oil. The first stage of the project is due for completion in April.

Fundamental Research

To develop new understanding of sciences important to Mobil's profit potential, about one of every ten of our scientists is engaged in fundamental research. In 1965, this type of investigation yielded such results as these:

> Success in growing a strain of hydrocarbon-fed microbes that produce amino acids of special value for animal feed supplements.

> Discovery of a low-cost and potentially commercial method of employing nuclear radiation to make a chemical important in the manufacture of a cotton defoliant sold by Mobil.

> Potential reductions in the cost of manufacturing gasoline and heating oils through application of major new findings in chemical reaction theory to the improvement of catalytic refining processes.

Models of molecular structures are used by Mobil scientists for research in many areas.

Mobil Chemical Research

Mobil Chemical Company maintains its own research facilities to provide the technology required for profitable growth. Significant developments include:

- Further process improvements in the production of fiber-grade terephthalic acid, used primarily in the manufacture of polyester fibers for clothing and films for magnetic tapes.
- Two new polyolefin processes used in the manufacture of plastic films and molded packaging products.
- A new agricultural chemical used to destroy root-killing insects.
- A system for electrically depositing paint on a variety of fabricated metal products.

During 1965, Mobil Chemical's central research laboratory at Edison Township, N. J., was expanded to twice its former capacity. A new agricultural development center near Richmond, Va., also was dedicated last year.

air and water conservation: a special report

Since the early 1920s, when devices were installed at company refineries to help prevent emission of contaminants, Mobil has invested millions of dollars in research and equipment to control pollution on all fronts.

These efforts continue. During 1965, the company established a task force of executives to evaluate scientific data and help guide the company's management in making decisions bearing on pollution control. A full-time Coordinator of Air and Water Conservation was appointed to head our worldwide anti-pollution activities.

Mobil's conservation policy reflects a determination to carry on our operations in the best interests of people and their property. We recognize the need to identify the sources of pollution scientifically. We recognize also the importance of working on a voluntary basis with private industry groups and government bodies in developing and implementing sound pollution-control measures.

At company refineries and chemical plants around the country, we have installed advanced equipment which controls the emission of a wide range of air and water pollutants. Additional equipment is scheduled for installation at various locations during 1966. The major modernization program under way at the Torrance, Calif., refinery calls for the expenditure of several million dollars for highly sophisticated anti-pollution equipment.

Mobil refineries abroad also stress air and water conservation. An example is the Amsterdam refinery, soon to be built in the heart of the Holland tulip region. The new facility will incorporate some of the most advanced devices for air and water pollution control.

In marketing, a number of Mobil terminals and lubricant-blending plants employ new techniques and equipment to control the emission of hydrocarbon vapors.

Early in 1965, a program to prevent pollution of the seas went into effect throughout the company's worldwide fleet of owned and chartered tankers. As a result, discharge of the oily portion of tank washings and ballast has been virtually eliminated, even in areas where international agreements permit such practices.

In exploration and producing activities, the company prevents contamination of water by careful storage and disposal of potential pollutants. Offshore drilling calls for special techniques to prevent contamination of surrounding waters and shorelines. Oily wastes are barged to land-based disposal units for treatment.

In pipeline operations, leakage is prevented through visual and electronic inspections during construction and the use of corrosion-control devices and techniques during the life of the line. The company requires the use of particularly stringent procedures in laying a pipeline across water.

Further Research Needed

We shall continue to act in a manner consistent with the public interest. At the same time, we are convinced of the need for accelerated research into the nature of pollutants in order to establish the best methods of controlling pollution without undue burden on the economy. To expend vast sums of money on extreme control methods not yet substantiated by scientific evidence would only slow the progress made in areas where we know our efforts are proving effective.

Mobil and the oil industry are advancing steadily in air and water conservation, but absolute solutions to all pollution problems have not yet been found. As long as such problems remain, the company—together with industry and government—will continue its efforts to identify pollutants and to contain them.

For the Board of Directors

Albert L. Nickerson
CHAIRMAN

Rawleigh Warner Jr.
PRESIDENT

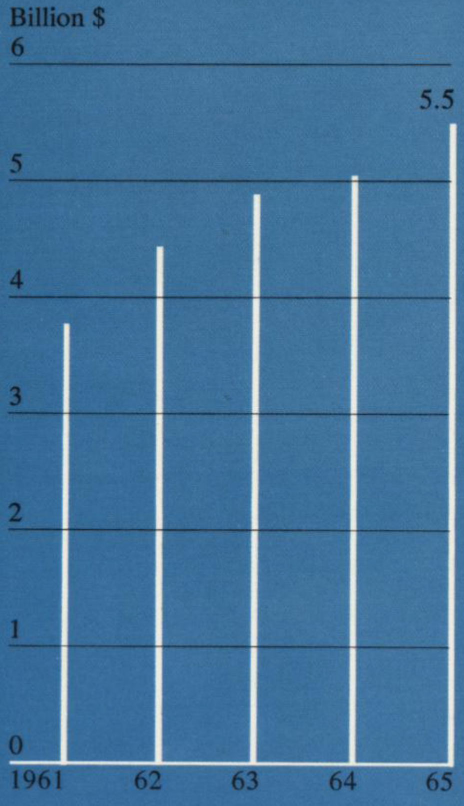
5- year financial and operating data

	1965	1964	1963	1962	1961
Financial *(in thousands, except per-share data)*					
Revenues	$5,517,426	5,078,641	4,914,566	4,445,987	3,802,124
Net income	$320,116	294,160	271,852	242,339	211,319
Per share *(based on average shares outstanding)*	$6.31	5.79	5.44	4.98	4.35
Cash dividends on Socony Mobil capital stock	$154,853	141,104	126,845	114,392	109,383
Per share	$3.05	2.80	2.60	2.35	2.25
Capital and exploration outlays	$557,345	460,207	396,640	453,854	362,369
Current assets	$2,037,721	1,908,827	1,883,725	1,489,811	1,308,049
Current liabilities	$1,107,414	967,658	902,418	775,474	585,034
Working capital	$930,307	941,169	981,307	714,337	723,015
Net properties, plants, and equipment	$2,645,204	2,492,867	2,349,033	2,253,124	1,938,587
Long-term debt	$448,408	419,140	428,159	228,179	167,518
Shareholders' equity	$3,483,510	3,324,729	3,156,558	2,963,971	2,709,401
Per share *(based on shares outstanding at end of year)*	$68.61	65.42	63.13	60.83	55.72
Shareholders and Employees *(end of year)*					
Number of shareholders	206,900	211,000	212,200	218,900	227,300
Number of shares outstanding	50,774,000	50,825,000	50,000,000	48,729,000	48,627,000
Number of employees	80,600	80,000	79,700	74,900	63,700
Operating *(barrels daily, except natural gas)*					
Gross crude oil production—worldwide	1,165,000	1,037,000	935,000	872,000	831,000
U.S. and Canada	327,000	308,000	295,000	287,000	272,000
All other countries	838,000	729,000	640,000	585,000	559,000
Natural gas liquids production—worldwide	46,000	39,000	36,000	29,000	30,000
Natural gas production—worldwide *(thousands of cubic feet daily)*	1,993,000	1,924,000	1,588,000	1,433,000	1,181,000
Refinery crude runs—worldwide	1,429,000	1,345,000	1,228,000	1,141,000	1,092,000
United States	672,000	669,000	646,000	616,000	605,000
All other countries	757,000	676,000	582,000	525,000	487,000
Petroleum product sales—worldwide	1,503,000	1,404,000	1,328,000	1,246,000	1,188,000
U.S. and Canada	760,000	731,000	711,000	671,000	664,000
All other countries	743,000	673,000	617,000	575,000	524,000

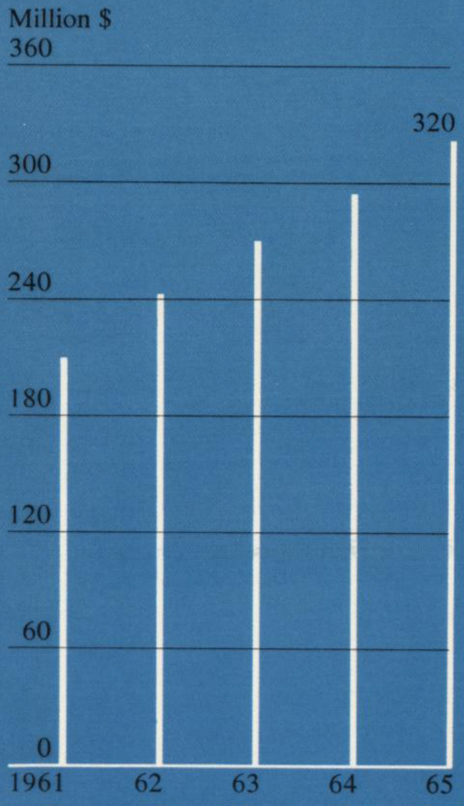
The financial and operating data give effect to the division of Standard-Vacuum Oil Company from 1962 and the poolings of interests with Virginia-Carolina Chemical Corporation from 1963 and Northern Natural Gas Producing Company from 1964. Operating statistics include the company's interest in the operations of non-consolidated companies. Refinery crude runs include approximately 10% processed by others under processing or crude-sale/product-purchase agreements.

Detailed data on the company are contained in a separate report, 1965 Financial and Operating Statistics. Copies may be obtained from the Secretary, Socony Mobil Oil Company, Inc., Room 2500, 150 East 42nd Street, New York, N.Y. 10017.

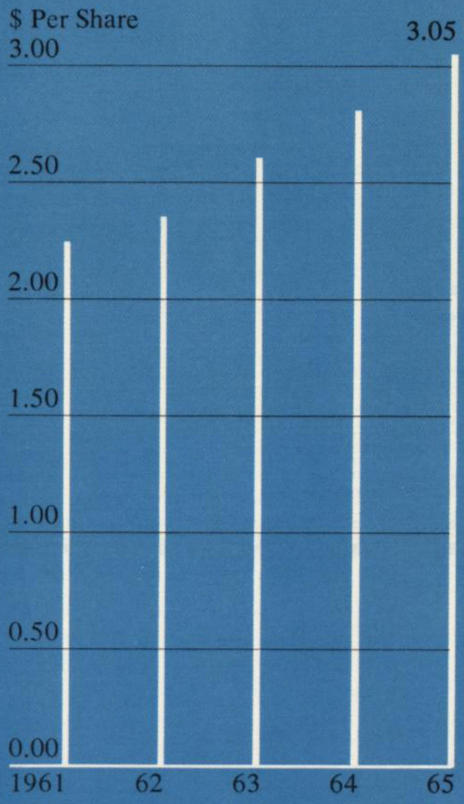
Total Revenues



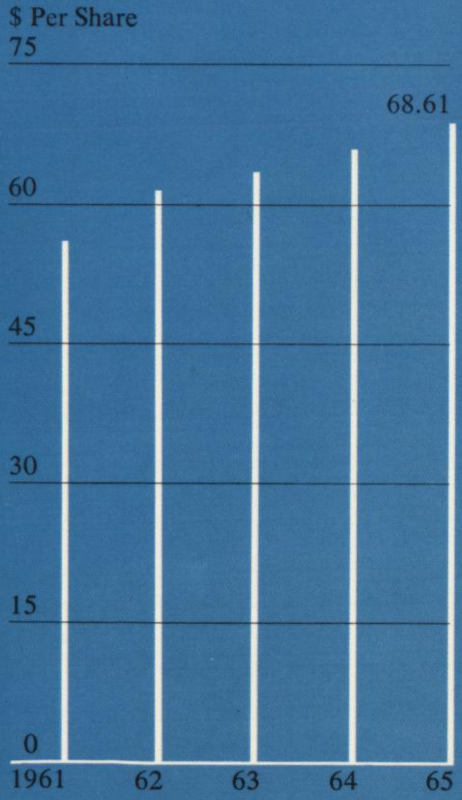
Net Income



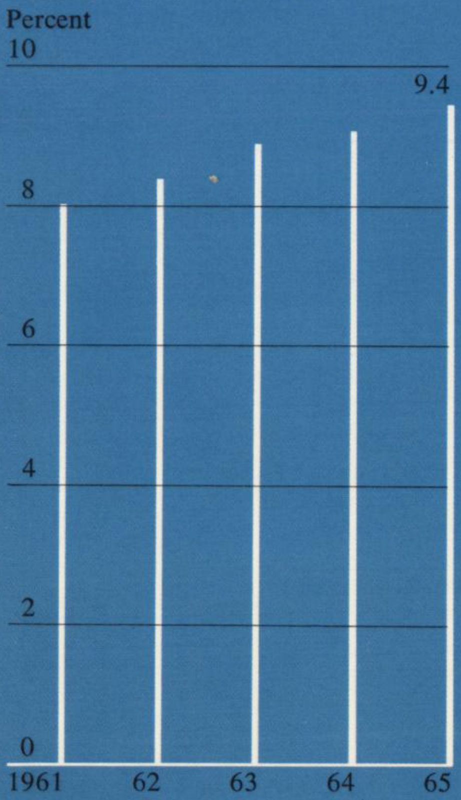
Cash Dividends



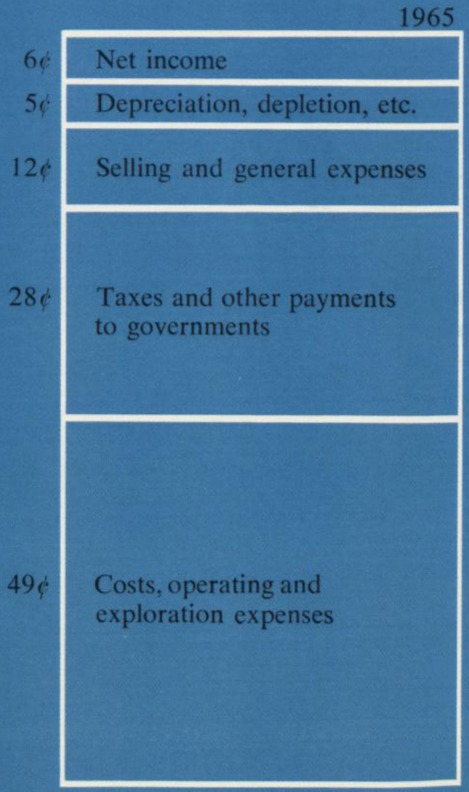
Shareholders' Equity



Return on Average Equity



Where Mobil's Revenue Dollar Went



financial review

Earnings, Dividends, and Equity

In 1965, consolidated net income attained a record $320.1 million, up 8.8% over the previous high of $294.2 million earned in the preceding year. Earnings per share rose to a new high of $6.31, compared with $5.79 in 1964, based on the average number of shares outstanding during each year—50,767,898 in 1965 and 50,824,539 in 1964.

Shareholders received record cash dividends of $154.9 million, an increase of $13.8 million over 1964. On a per-share basis, dividend payments were raised from $2.80 in 1964 to $3.05 in 1965. This reflected an increase in the quarterly dividend to 70 cents a share, as well as a year-end extra dividend of 25 cents.

At December 31, 1965, shareholders' equity was $68.61 per share, compared with $65.42 per share a year earlier. The rate of return on shareholders' average equity increased from 9.0% in 1964 to 9.4% in 1965.

Capital and Exploration Outlays

Capital and exploration outlays reached a record $557 million in 1965, an increase of $97 million over the 1964 level. These expenditures were allocated as follows:

	1965			1964
	U.S. and Canada	Other Countries	Total	Total
	(In millions)			
Capital expenditures:				
Producing	$135	$ 32	$167	$164
Refining	31	36	67	45
Chemicals	56	10	66	26
Marketing	43	73	116	104
Marine	2	21	23	19
Other	10	13	23	24
	277	185	462	382
Exploration expenses including non-productive wells	61	34	95	78
	$338	$219	$557	$460

Outlays for exploration and producing included the acquisition of leases in California and Texas, exploratory drilling in Canada and Alaska, and construction of additional pipeline and terminal facilities in Libya. Refining expenditures emphasized modernization in the United States and increased capacity overseas, including the construction of a new refinery in Singapore. Increased chemical outlays, primarily in the United States, reflected the construction of a major terephthalic acid plant and the strengthening of the company's raw-material position and production facilities for its expanding fertilizer operations. Marketing expenditures were directed mainly toward the company's service station building and modernization program around the world.

Taxes and Other Payments to Governments

Taxes and other payments to federal, state, and local governments in the United States and to governments in other countries amounted to $1,511 million in 1965, an increase of $145 million over 1964.

	1965	1964
	(In millions)	
Excise and state gasoline taxes	$ 504	$ 482
Import duties	717	620
Income taxes—United States and other countries	188	171
Property, production, payroll, and other taxes	102	93
	$1,511	$1,366

Inventories

Inventories are valued at cost, which was lower than their aggregate market value at December 31, 1965. Substantially all domestic inventories of crude oil and petroleum products —representing approximately 43% of the worldwide total of all such inventories at December 31, 1965—are valued under the last-in, first-out method. Other inventories are valued at average cost.

Investments and Long-Term Receivables

Socony Mobil's principal investments include:

Company	Socony Mobil's Interest
Near East Development Corporation (which owns a 23.75% interest in Iraq Petroleum Company, Ltd. and associated companies)	50%
Arabian American Oil Company	10%
Iranian Consortium	7%
P.T. Stanvac Indonesia	50%
Colombian Petroleum Company	50%

During 1965, Socony Mobil received $73 million in dividends from non-consolidated companies (owned 50% or less), or $4 million less than the company's equity in the net income of these companies. Socony Mobil's equity in the net assets of such companies is substantially greater than its investments (less reserves). Reserves applicable to investments and long-term receivables totaled $100 million at the end of the year.

Employee Benefit Plans

In the United States, benefit plan payments during 1965 under the Retirement Annuity Plan included $6.9 million for past service costs. As of December 31, 1965, the company has determined, based upon actuarial studies, that its unfunded past service liability in respect of this and other funded plans is not material in amount.

In addition, various company-administered, non-funded, non-contributory plans are in effect. In general, the estimated costs for these plans to December 31, 1965, are provided for in the "Reserves for Insurance and Employee Benefits."

Commitments and Contingent Liabilities

At December 31, 1965, minimum annual rentals of about $46 million were payable on noncancelable leases expiring more than three years from that date, covering tankers, service stations, office buildings, etc. The company also made substantial commitments, in the normal course of business, for the acquisition or construction of properties, plants, and equipment.

The company has guaranteed obligations of others approximating $72 million. In addition, the company has guaranteed specified revenues from product shipments under agreements with pipeline companies in which it holds stock interests. In the event these companies are unable to meet certain obligations, Socony Mobil may be required to advance funds against future transportation charges. No material loss is anticipated by reason of these guarantees.

The company's general counsel is of the opinion that there are no claims or lawsuits against the company not already provided for that are likely to result in ultimate liabilities of material importance in relation to the company's accounts.

Stock Option Plans

On May 18, 1965, the stockholders approved the 1965 Stock Option Plan, under which key employees may be granted options to purchase an aggregate of 300,000 shares of capital stock. No additional options may be granted under the 1960 Plan, which terminated in May, 1965, with 75,952 shares not optioned. The terms and conditions of the plans are substantially the same. Each option granted, at 100% of the fair market value of such stock at the time the option is awarded, runs for not more than ten years in the case of "restricted" options granted prior to January 1, 1964, and five years for "qualified" options granted thereafter; they may be exercised in equal annual installments after the first year. Transactions during 1965 under the 1960 and 1965 plans are summarized below:

	Shares Under Option	Shares Available for Option
January 1, 1965	379,687	85,526
Shares terminated under 1960 Plan	—	(75,952)
Shares approved under 1965 Plan	—	300,000
Options granted at $86.38 per share	12,850	(12,850)
Options surrendered	(5,365)	3,276
Options exercised at an average price of $42.44	(44,053)	—
December 31, 1965	343,119	300,000
Options exercisable December 31, 1965, at an average price of $56.91	64,894	

Capital Stock

Socony Mobil had 75,000,000 shares of $15 par value capital stock authorized at December 31, 1965. A total of 51,075,728 shares had been issued, including 301,844 shares held in treasury. Shares outstanding were 50,773,884, a decrease during the year of 50,631, resulting from an increase in shares held in the treasury, partly offset by new shares issued under the 1960 Stock Option Plan.

Capital Surplus

Changes in capital surplus were as follows:

	1965	1964
At January 1	$636,528,000	$634,616,000
Adjustment arising from the pooling of interests with Northern Natural Gas Producing Company	—	345,000
Excess of proceeds over par value of shares issued under the 1960 Stock Option Plan	1,209,000	1,356,000
Miscellaneous transactions	(360,000)	211,000
At December 31	$637,377,000	$636,528,000

Principles of Consolidation

All domestic and foreign subsidiaries more than 50% owned have been included in the consolidated financial statements. Appropriate rates of exchange have been used to translate foreign currency amounts into U.S. dollars.

report of certified public accountants

To the Board of Directors and Shareholders
Socony Mobil Oil Company, Inc.

We have examined the accompanying consolidated balance sheet of Socony Mobil Oil Company, Inc. at December 31, 1965, the related consolidated statements of income, earnings retained in the business and the consolidated statement of source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the financial position of Socony Mobil Oil Company, Inc. and its subsidiaries at December 31, 1965 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young & Company

New York, N. Y.
March 4, 1966

financial statements

consolidated statement of income

Socony Mobil Oil Company, Inc.

year ended December 31

	1965	1964
Revenues		
Sales and services (including excise and state gasoline taxes: 1965–$504,306,000; 1964–$481,610,000)	$5,411,810,000	$4,980,996,000
Dividends and interest	105,616,000	97,645,000
	5,517,426,000	5,078,641,000
Costs and Expenses		
Crude oil, products, materials, and operating expenses	2,628,991,000	2,459,184,000
Exploration expenses, including non-productive wells	94,840,000	77,908,000
Selling and general expenses	648,782,000	600,758,000
Depreciation, depletion, and amortization	282,455,000	253,068,000
Interest and debt discount expense	30,887,000	27,615,000
Taxes and other payments to governments	1,511,355,000	1,365,948,000
	5,197,310,000	4,784,481,000
Net Income	$ 320,116,000	$ 294,160,000

consolidated statement of earnings retained in the business

year ended December 31

	1965	1964
Earnings Retained in the Business–Beginning of Year	$1,937,812,000	$1,773,507,000
Net income	320,116,000	294,160,000
Adjustments arising from the pooling of interests with Northern Natural Gas Producing Company	—	11,249,000
Cash dividends paid	(154,853,000)	(141,104,000)
Earnings Retained in the Business–End of year	$2,103,075,000	$1,937,812,000

See Financial Review on pages 23-24 and statements on page 28.

consolidated balance sheet at december 31

Assets	1965	1964
Current Assets		
Cash	$ 166,004,000	$ 155,620,000
Marketable securities, at amortized cost (approximating market)	447,652,000	366,673,000
Accounts and notes receivable (less estimated doubtful accounts)	828,852,000	795,544,000
Inventories:		
Crude oil and products	534,238,000	531,711,000
Materials and supplies	60,975,000	59,279,000
Total Current Assets	2,037,721,000	1,908,827,000
Investments and Long-Term Receivables		
(at cost less reserves)	455,852,000	408,108,000
Properties, Plants, and Equipment (at cost)		
Producing	2,270,406,000	2,153,596,000
Refining	1,140,827,000	1,078,773,000
Chemicals	289,041,000	249,439,000
Marketing	1,153,364,000	1,064,244,000
Marine	293,870,000	272,916,000
Pipelines	267,242,000	254,386,000
Other	82,481,000	78,158,000
	5,497,231,000	5,151,512,000
Less accumulated depreciation, depletion, and amortization	2,852,027,000	2,658,645,000
Net Properties, Plants, and Equipment	2,645,204,000	2,492,867,000
Prepaid and Deferred Charges	73,603,000	69,670,000
Total	$5,212,380,000	$4,879,472,000

See Financial Review on pages 23-24 and statements on page 28.

Socony Mobil Oil Company, Inc.

Liabilities and Shareholders' Equity	1965	1964
Current Liabilities		
Accounts and notes payable and accrued liabilities	$ 703,701,000	$ 648,629,000
Income, excise, state gasoline, and other taxes payable	388,285,000	304,680,000
Long-term debt maturing within one year	15,428,000	14,349,000
Total Current Liabilities	1,107,414,000	967,658,000
Long-Term Debt		
4¼ % debentures due 1993 (less in treasury: 1965—$8,075,000)	191,925,000	200,000,000
Thirty Year 2½ % debentures due June 1, 1976 (less in treasury, including sinking fund requirements: 1965—$18,036,000; 1964—$18,986,000)	56,964,000	58,014,000
Term notes payable (4⅛ % due July 1, 1979-1988)	60,000,000	60,000,000
Other (principally 4% to 5¾ %—due 1967-1985)	139,519,000	101,126,000
Total Long-Term Debt	448,408,000	419,140,000
Deferred Credits	20,415,000	18,981,000
Reserves for Insurance and Employee Benefits	138,408,000	135,237,000
Minority Interest in Subsidiary Companies	14,225,000	13,727,000
Shareholders' Equity		
Capital stock	766,136,000	765,475,000
Capital surplus	637,377,000	636,528,000
Earnings retained in the business	2,103,075,000	1,937,812,000
	3,506,588,000	3,339,815,000
Less capital stock held in treasury (at cost)	23,078,000	15,086,000
Total Shareholders' Equity	3,483,510,000	3,324,729,000
Total	$5,212,380,000	$4,879,472,000

consolidated statement of source and use of funds

Socony Mobil Oil Company, Inc.

	1965	1964
	year ended December 31	
Funds Were Made Available From		
Net income	$320,116,000	$294,160,000
Depreciation, depletion, and amortization	282,455,000	253,068,000
Other non-cash items	55,536,000	12,169,000
Funds provided from operations	658,107,000	559,397,000
Long-term debt increase (decrease)	29,268,000	(9,019,000)
Working capital decrease	10,862,000	40,138,000
Other, net	1,508,000	62,000
Total	$699,745,000	$590,578,000
Funds Were Used For		
Capital expenditures	$462,504,000	$382,299,000
Investments and long-term receivables	71,897,000	35,790,000
Cash dividends	154,853,000	141,104,000
Net increase in treasury stock	7,992,000	13,068,000
Deferred charges and credits, net	2,499,000	18,317,000
Total	$699,745,000	$590,578,000

distribution of income and shareholders' equity

	1965		1964	
	TOTAL	PER SHARE	TOTAL	PER SHARE
Net Income (year ended December 31)				
United States	$ 152,537,000	$ 3.01	$ 120,606,000	$ 2.38
Other Western Hemisphere	27,523,000	.54	30,583,000	.60
	180,060,000	3.55	151,189,000	2.98
Eastern Hemisphere	140,056,000	2.76	142,971,000	2.81
Total	$ 320,116,000	$ 6.31	$ 294,160,000	$ 5.79
Shareholders' Equity (end of year)				
United States	$1,977,142,000	$38.94	$1,788,350,000	$35.19
Other Western Hemisphere	249,337,000	4.91	288,336,000	5.67
	2,226,479,000	43.85	2,076,686,000	40.86
Eastern Hemisphere	1,257,031,000	24.76	1,248,043,000	24.56
Total	$3,483,510,000	$68.61	$3,324,729,000	$65.42

Socony Mobil Oil Company, Inc.

A partial listing of its subsidiaries and affiliates/their activities and main areas of operations

Socony Mobil Oil Company, Inc. *Exploration, producing, transportation, refining, chemical manufacturing, marketing, and research in the U.S. and worldwide.*

UNITED STATES

Magnolia Pipe Line Company. *Pipeline transportation in the U.S.*
Mobil Chemical International Ltd. *Worldwide trading, exports of chemical products, management services.*
Mobil Sales and Supply Corporation. *International trading in crude oil and petroleum products.*
Northern Natural Gas Producing Company. *Exploration and producing in the U.S.*

CANADA

Mobil Marine Transportation Limited and Subsidiaries. *Worldwide marine transportation.*
Socony Mobil Oil of Canada, Ltd. *Exploration, producing, and marketing.*
South Saskatchewan Pipe Line Company (50%). *Pipeline transportation in Canada.*

LATIN AMERICA

Colombian Petroleum Company *and* South American Gulf Oil Company (50%). *Exploration, producing, refining, and pipeline transportation in Colombia.*
Colombianos Distribuidores de Combustibles, S.A. (80.06%). *Marketing in Colombia.*
Mobil AMI, S.A. *Manufacturing and marketing of chemical coatings in Colombia.*
Mobil Atlas S.A. de C.V. (90%). *Manufacturing and marketing of chemical coatings in Mexico.*
Mobil Oil Caribe Inc. and Subsidiary. *Marketing in Puerto Rico.*
Mobil Oil Company del Ecuador. *Marketing.*
Mobil Oil Company del Peru. *Exploration.*
Mobil Oil Company de Venezuela. *Exploration, producing, transportation, refining and marketing.*
Mobil Oil de Chile Limitada (50%). *Marketing.*
Mobil Oil del Peru (Compania Comercial). *Marketing.*
Mobil Oil de Mexico, Sociedad Anonima. *Marketing.*
Mobil Oil do Brasil (Industria e Comercio) Ltda. *Marketing.*
The Barbados Union Oil Company Limited and Subsidiary. *Refining and marketing.*

EUROPE

ATAS-Anadolu Tasfiyehanesi Anonim Sirketi (56%). *Refining in Turkey.*
Mobil Chemie N.V. *Manufacturing of chemical coatings in the Netherlands, marketing in Europe.*
Mobil Chimica Italiana S. p. A. *Manufacturing and marketing of basic aromatic petrochemicals.*
Mobil Exploration Mediterranean Inc. *Exploration and producing in Turkey.*
Mobil Oil AB Sweden. *Marketing.*
Mobil Oil A/S Norge. *Marketing in Norway.*
Mobil Oil A.G. in Deutschland. *Exploration, producing, refining, marketing in West Germany, marine transportation.*
Mobil Oil Austria A.G. *Refining and marketing.*
Mobil Oil Company Limited and Subsidiaries. *Refining and marketing in United Kingdom and marketing in Eire.*
Mobil Oil Cyprus Limited. *Marketing.*
Mobil Oil Danmark A/S. *Marketing in Denmark, Greenland, and Faroe Islands.*
Mobil Oil de Espana S.A. *Marketing in Spain and the Balearic Islands.*
Mobil Oil Francaise and Subsidiaries. *Exploration and producing in Africa, refining in France, marketing in France and North and West Africa, marine transportation.*
Mobil Oil Hellas A.E. Petroleum Company. *Marketing in Greece.*
Mobil Oil Italiana S.p.A. *Refining and marketing.*
Mobiloil N. V. *Marketing in the Netherlands, Belgium, and Luxembourg.*
Mobil Oil OY AB. *Marketing in Finland.*
Mobil Oil Portuguesa S.A.R.L. *Marketing in Portugal, neighboring islands, and Portuguese Africa.*
Mobil Oil (Switzerland). *Marketing.*
Mobil Oil Turk Anonim Sirketi and Subsidiaries. *Marketing in Turkey.*
Mobil Producing Netherlands Inc. *Offshore exploration.*
Mobil Producing North Sea Limited. *Offshore exploration, United Kingdom.*
Mobil Shipping Company Limited. *Worldwide marine transportation.*

AFRICA

Central African Petroleum Refineries (Private) Limited (17.75%). *Refining in Rhodesia.*
Mobil Exploration Nigeria Inc. *Exploration.*
Mobil Oil Cameroun. *Marketing.*
Mobil Oil Congo S.C.R.L. (Leopoldville). *Marketing.*
Mobil Oil de L'Afrique Equatoriale. *Marketing in Equatorial Africa.*
Mobil Oil de L'Afrique Occidentale. *Marketing in West Africa.*
Mobil Oil East Africa Limited. *Marketing in East Africa, Red Sea area.*
Mobil Oil Ghana Limited. *Marketing.*
Mobil Oil Guinee S.A.R.L. *Marketing.*
Mobil Oil Liberia Inc. *Marketing.*
Mobil Oil Libya Ltd. *Exploration and producing.*
Mobil Oil (Malawi) (Private) Limited. *Marketing.*
Mobil Oil Maroc. *Marketing in Morocco.*
Mobil Oil Nigeria Limited. *Marketing.*
Mobil Oil Nord-Africaine. *Marketing in Algeria.*
Mobil Oil Rwanda-Burundi (S.A.R.L.). *Marketing.*
Mobil Oil Sierra Leone Limited. *Marketing in Sierra Leone and Gambia.*
Mobil Oil Southern Africa (Proprietary) Limited. *Marketing in South and Southwest Africa and Portuguese East Africa.*
Mobil Oil Southern Rhodesia (Private) Limited. *Marketing.*
Mobil Oil Sudan Limited. *Marketing.*
Mobil Oil Tunisia Inc. *Marketing.*
Mobil Oil Zambia Limited. *Marketing.*
Mobil Petroleum Ethiopia Inc. *Exploration.*
Mobil Producing Sahara Inc. *Exploration and producing in Algeria.*
Mobil Refining Company Southern Africa (Proprietary) Limited. *Refining.*
Socony Southern Africa (Proprietary) Limited. *Chemical, asphalt, and liquefied petroleum gas marketing.*

MIDDLE AND FAR EAST

Abu Dhabi Petroleum Company Limited (11.875%). *Exploration and producing.*
Altona Petrochemical Company Proprietary Limited (50%). *Petrochemicals manufacturing in Australia.*
Arabian American Oil Company (10%). *Exploration, producing, and refining in Saudi Arabia.*
Bataan Refining Corporation (31%). *Refining in the Republic of the Philippines.*
Indian Oil Blending Limited (50%). *Blending of lubricating oils.*
Iraq Petroleum Company, Limited and Associated Companies (11.875%). *Exploration, producing, and transportation in Iraq, refining in Lebanon.*
Kyokuto Sekiyu Kogyo Kabushiki Kaisha (50%). *Refining in Japan.*
Mediterranean Refining Company (50%). *Refining in Lebanon.*
Mobil China Allied Chemical Industries Ltd. (35%). *Manufacturing and marketing of fertilizers in Taiwan.*
Mobil Oil Australia Limited and Affiliates. *Marketing in Australia, Papua, New Guinea, and Pacific islands.*
Mobil Oil Egypt (S.A.). *Producing and marketing.*
Mobil Oil Hong Kong Limited. *Marketing in Hong Kong and Macau.*
Mobil Oil Iran Inc. *Owner of 7% interest in Iranian Consortium, a producer and refiner in Iran; purchases and sells Iranian crude oil and products.*
Mobil Oil Lebanon Inc. *Marketing in Middle East.*
Mobil Oil Malaya Limited. *Marketing.*
Mobil Oil New Zealand Limited. *Marketing in New Zealand and Cook and Society Islands.*
Mobil Oil Philippines Inc. *Marketing.*
Mobil Oil Thailand Limited. *Marketing.*
Mobil Petroleum Company Inc. and Affiliates. *Exploration, producing, transportation, refining, and marketing in the Pacific, Asia, and Africa.*
Mobil Refining Company Malaysia Limited. *Refining.*
Mobil Sekiyu Kabushiki Kaisha. *Marketing in Japan.*
Petroleum Refineries (Australia) Proprietary Limited (74%). *Refining.*
P.T. Stanvac Indonesia (50%). *Exploration, producing, and refining.*
Qatar Petroleum Company Limited (11.875%). *Exploration and producing.*
Socony Overseas Oil Company (Kuwait) Limited. *Purchases and sales of crude oil.*
The New Zealand Refining Company Limited (19%). *Refining.*
Toa Nenryo Kogyo Kabushiki Kaisha and Subsidiaries (25%). *Refining and petrochemicals manufacturing in Japan.*
Trans-Arabian Pipe Line Company (10%). *Pipeline transportation from Saudi Arabia to Mediterranean terminal in Lebanon.*

At December 31, 1965, all companies were substantially wholly owned except where otherwise indicated by percentage of ownership shown in parentheses.

Socony Mobil Oil Company, Inc.
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